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2001/02
Annual Report
A New Era Update

**Ministry of
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Introductory Note — A Year of Transition

The Government of British Columbia and its ministries are committed to reporting on performance. The *Budget Transparency and Accountability Act* (BTAA), as amended in August 2001, provides the legislative framework for a regular cycle of planning, reporting and accountability. Under the BTAA, ministries are responsible for producing three-year service plans (previously called performance plans), which are updated yearly, and annual service plan reports (formerly called performance reports). The amended BTAA takes effect beginning with the 2002/03 fiscal year. The first three-year service plans, covering the period 2002/03 to 2004/05, were released with the provincial budget on February 19, 2002.

This annual report relates to the previous fiscal year, covering April 1, 2001, to March 31, 2002. This was a transition year, with a new government sworn into office on June 5, 2001. On that day, there was an extensive reorganization of ministries, which were given significant new policy direction and tasked with the responsibility for implementing the government's *New Era* commitments. Later in the year, ministries proceeded through the core services review, which refined the mandates of ministries and identified the strategic shifts required to move government toward its long-term objectives.

This report provides an update on all that activity and also provides a report on performance, approaching the model provided by the BTAA as closely as is possible in the circumstances. An annual report would normally relate back to a preceding plan and report on the results achieved compared with the intentions outlined in that plan. In this case, the preceding plan was produced before the adoption of the significant changes outlined above, and as noted, this ministry has been significantly reorganized, and policies and priorities have changed. This limits the extent to which performance information as described in the previous plan is useful.

Consequently, this report sets out the ministry's redefined role and the services it provides, and — within the context of its goals and objectives as they evolved through the year — describes the achievements of the ministry and the performance targets being used to measure success.

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Accountability Statement

The 2001/02 Ministry of Finance Annual Report was prepared under my direction and I am accountable for the results of the ministry achieved since June 5, 2001. This report describes progress made in this first year on the government's *New Era* commitments, which are to be addressed by May 17, 2005.

Gary Collins
Minister of Finance

July 11, 2002

BRITISH COLUMBIA

Ministry of Finance

Since my appointment as Minister of Finance on June 5, 2001, I have had the privilege of leading, with my colleagues in the ministry, the implementation of some of the government's most important *New Era* commitments for economic renewal. The ministry has played a pivotal role in building a new government culture — focusing on competitiveness, public accountability and, above all, sound fiscal management.

Shortly after my appointment as minister, the Premier wrote to all members of cabinet, stating that the government's first priority was "to turn this province around economically." On July 23rd, we received the report of the independent Fiscal Review Panel. It provided a baseline assessment of our fiscal situation, the conclusion was that the province had a structural deficit and had been operating in a fiscally unsustainable manner. The report called for fundamental change and — consistent with the government's plan — the ministry delivered.

For example, the Finance team developed and implemented a timetable for more than $2 billion in annual tax cuts to help make B.C. competitive again. We put in place new legislation making the Premier and cabinet ministers personally accountable for meeting ministry and government-wide fiscal targets. We also put in place a three-year plan to balance the budget beginning in 2004/05, and led the development of three-year, performance-based service plans for ministries and Crown corporations.

All of these improvements directly support our commitment to revitalize the economy, restore sound fiscal management and protect priority services such as health care and education. There is, however, much work yet to be done. In 2002/03, we will build on the progress reported here and move forward with a clear plan and clear, measurable performance targets. And we will continue to deliver on our vision of a *New Era* of hope and prosperity for all British Columbians.

Gary Collins
Minister

Message from the Deputy Minister

The past year was marked by significant change and accomplishment as the government acted aggressively to implement its action plan to return British Columbia to its full economic potential. The ministry initiated a series of fundamental shifts which, together, represent a whole new way of doing business for the province.

We developed a clear plan to balance the budget, revitalize the economy and strengthen fiscal management. We worked to put the plan in place with a series of initiatives including: moving from a 12-month to a three-year planning window; integrating planning and budgeting; taking steps to modernize our regulatory structure; adopting a risk-based approach to management, focusing resources in those specific areas that represent the greatest potential risks or opportunities; and expanding our focus to the larger government entity that will be defined by the move to Generally Accepted Accounting Principles.

All these new directions are essential to the government's long-term strategy for responsible, accountable management of public resources — and none of our progress would be possible without the hard work, professionalism, skill and dedication of the Ministry of Finance team. Recognizing this, the executive team committed to ensuring that the ministry continues moving forward with a human-resource plan that emphasizes such things as employee satisfaction and learning opportunities.

It has been an honour and a pleasure to work with such talented colleagues in 2001/02. I look forward to our future achievements in 2002/03.

Paul Taylor
Deputy Minister

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Year-at-a-Glance Highlights 2001/2002

On May 25, 2001, the government appointed an independent Fiscal Review Panel to prepare a three-year forecast of the province's finances, based on the previous government's direction. The panel released its report two months later and concluded that:

- British Columbia had a structural fiscal imbalance that represented a serious threat to the province's financial health;
- government had been operating in an unsustainable manner; and
- fundamental change was required to achieve the new government's goal of a balanced budget.

From this baseline, ministry staff moved forward in 2001/02 with a series of actions and initiatives to make the province more competitive, improve accountability and restore sound fiscal management. Highlights in each of these areas are listed below.

Competitiveness

- Developed and implemented a timetable for more than $2 billion in annual tax cuts to encourage investment and innovation.
- Developed the *Registries Statutes Amendment Act* to increase electronic service delivery for businesses as part of the government's commitment to restore B.C. as a world leader in e-business.
- Developed (for introduction in 2002/03) the *Business Corporations Act* to increase flexibility for companies and make the province a more attractive place to do business.

Accountability

- Developed and enacted the *Balanced Budget and Ministerial Accountability Act* which requires balanced budgets as of fiscal 2004/05 and establishes a salary holdback for ministers and the Premier, paid out on the achievement of annual expenditure and performance targets.
- Developed and enacted the *Budget Transparency and Accountability Amendment Act* (BTAA) which:
  - establishes a fixed budget date;
  - requires the government to fully adopt Generally Accepted Accounting Principles by 2004/05;
  - enhances ministers' accountability;
  - eliminates the use of special warrants, except in two specific and very limited situations; and
  - requires government to table a three-year Strategic Plan and annual three-year service plans for ministries and government organizations with the provincial budget;
  - requires government to annually report on whether or not it is meeting its service plan objectives.
- Led the development of three-year, performance-based ministry service plans, as required under the BTAA.

Sound Fiscal Management

- Developed a three-year economic and fiscal plan to balance the budget by 2004/05 and create a strong, vibrant economy, in keeping with the government's *New Era* commitments.
- Developed a new Capital Asset Management Framework to ensure British Columbians have affordable infrastructure that meets their needs and helps make our economy competitive.
- Implemented a risk-based approach to management, so the ministry focuses resources and analysis on those activities presenting the greatest opportunities or posing the greatest risk to the government's fiscal and economic plan.

Ministry Role and Services

The Ministry of Finance plays a key role in establishing, implementing and reviewing government's economic, fiscal and taxation policies and initiatives. Its core business includes serving as the province's banker, accountant, risk and debt manager, capital project overseer, and registrar of corporate assets, personal property and manufactured homes. Through the Public Sector Employer's Council, which is chaired by the Minister of Finance, the ministry also helps to co-ordinate labour relations policies and practices across the public sector.

The ministry's clients include government ministries and agencies, boards and commissions, Crown corporations, businesses, investors and financial-sector agencies. Through its support of the government's *New Era* commitments, the ministry also broadly serves the people of British Columbia.

Vision

To be a responsive organization that is a model for leadership in promoting sound fiscal management and governance in an open and accountable public sector environment.

Mission

To develop a sustainable fiscal plan, to prudently manage government finances, and to create a sound policy and regulatory framework that supports the government's investment and economic development objectives.

Values

The Ministry of Finance is guided by the following values, which underpin its leadership philosophy:

Accountability. This means:

- we are accessible and responsive to our clients' needs
- we measure and report on our performance at all levels
- we recognize achievement and learn from our mistakes
- we support a risk-based management system that encourages competency and performance
- we focus resources and analysis on those activities that present the greatest opportunities or pose the greatest risk to the government's fiscal and economic plan

Innovation. This means:

- we explore new partnerships and ideas about how we do business
- we embrace technological change to capture new opportunities
- we make strategic investments in our people

Respect and Integrity. This means:

- we focus on our customers and clients
- we provide leadership and encourage teamwork
- we value diversity and differences of opinion
- we protect confidentiality of information

Trust and Honesty. This means:

- we keep our activities and outputs open and transparent
- we respond to feedback from the public and our clients
- we ensure clear and open communication

Core Services Review and Strategic Shifts

After completing a comprehensive Core Services Review, the ministry identified four essential strategic shifts to support its core business, and to support the government's fiscal and economic plan:

From	To
advising and treating all clients the same	focusing on major risks and opportunities
a "command and control" approach	one based on accountability and performance measurement of ministries, Crown corporations and agencies
a one year planning horizon	a multi-year planning framework
a focus on ministries, Crown corporations and agencies	a focus on the larger government entity (including schools, health authorities and some post secondary institutions)

All of these shifts support the government's commitment to sound fiscal management — and the *New Era* vision for a brighter future that is realistic, affordable and measurable.

Update on *New Era* Commitments

The Ministry of Finance has a leading role in many of the government's *New Era* commitments related to:

- revitalizing the economy,
- restoring sound fiscal management, and
- putting patients and students first.

The following section describes the ministry's progress in 2001/02 — in relation to the government's 90-day agenda, and in relation to other, longer-term *New Era* commitments.

90-Day Agenda Commitments

- **Introduce a dramatic cut in personal income taxes.**

On the new government's first-full day in office, the Minister of Finance cut provincial personal income tax rates by an average of 25 per cent for all British Columbians. The largest cut (28 per cent) went to B.C.'s lowest income earners. As of Jan. 1, 2002, British Columbia had the lowest rate of personal income tax of any province in Canada on the first $60,000 of income, and the country's second-lowest top marginal tax rate. Notably, the government made these tax cuts while protecting funding for health care and education.

- **Pass *real* Balanced Budget legislation, to make balanced budgets mandatory by our (government's) third full budget and to hold all ministers individually accountable.**

The *Balanced Budget and Ministerial Accountability Act*, which was passed on Aug. 14, 2001, requires the government to balance its budget by 2004/05 and in each year thereafter. It also holds the Premier and cabinet members responsible — individually and collectively — for ensuring ministries live within their budgets and government meets its bottom-line commitments.

Consistent with the requirements of the new legislation, the government will withhold 20 per cent of the Premier's and cabinet ministers' ministerial salaries, effective April 1, 2002. Ministers will be able to earn back half of that amount by meeting their ministries' budgets and other targets. The balance of the holdback will be earned only if the government meets its annual budget target.

- **Pass *real* Truth in Budgeting legislation that ensures all provincial finances are fully, accurately and honestly reported under Generally Accepted Accounting Principles.**

Under the *Budget Transparency and Accountability Amendment Act*, which passed on Aug. 14, 2001, the government must fully adopt Generally Accepted Accounting Principles by fiscal 2004/05.

- **Establish a fixed date for the tabling of the provincial budget.**

The *Budget Transparency and Accountability Amendment Act* fixes the third Tuesday in February as budget day in B.C.

- **Conduct a comprehensive audit of the province's finances within 90 days and make the results public.**

An independent fiscal review panel delivered its report on the province's finances on July 23, 2001.

Other *New Era* Commitments

- **Honestly balance the budget, without cutting funding for health care or education.**

In its 2002 budget and three year service plans, the government laid out a combination of specific spending reductions and realistic revenue forecasts to ensure a balanced budget in 2004/05. At the same time, the government protected the budgets for health and education. The health services budget was increased to $10.2 billion from $9.5 billion. The budget for education and advanced education also increased slightly.

- **Increase funding for the Auditor General's office, to help identify and prevent waste, and to increase value for money.**

The Auditor General's budget increased to $8.36 million for 2002/03 from $7.86 million the previous year.

- **Eliminate the use of special warrants, to prevent government from spending public money without prior legislative approval.**

Under the *Budget Transparency and Accountability Amendment Act*, the government can only use special warrants in the case of a natural disaster, or to guarantee the provision of public services for a brief period following a provincial election.

Special warrants had been used in the past to authorize spending in excess of annual budgets without prior approval from the legislature.

- **Establish service plans that include measurable performance standards and targets for all programs that are annually audited and published, for all taxpayers to see.**

Three year service plans for all ministries and Crown corporations were released on Feb. 19, 2002, with the provincial budget. The first performance reports under the new framework will be made public in the summer of 2003.

- **Phase out taxes on investment and productivity to stimulate economic growth and job creation, in keeping with our commitment to balance the budget and protect health care and education funding.**

In July 2001, the finance minister introduced a range of business tax cuts designed to help rebuild a thriving economy. The corporation capital tax rate for general corporations was cut in half in Sept. 2001 will be eliminated on September 1, 2002.

The corporation income tax rate was reduced by three percentage points to 13.5 per cent in Jan. 2001. Production machinery and equipment purchases by eligible manufacturers and logging, mining and energy-sector businesses were exempted from provincial sales tax effective July 31, 2001. The province also introduced a 20 per cent flow-through share credit, modelled on a similar federal credit, to encourage mineral exploration in the province.

Also in July 2001, the passenger vehicle surtax threshold rose to $47,000 from $32,000. Other tax cuts applied to domestic jet fuel and bunker fuel used by cruise ships and other large cargo vessels.

The 2002 budget contained an additional tax break for small businesses: The threshold for the small business income tax was raised by 50 per cent to $300,000 on April 1, 2002.

- **Work with other provinces to negotiate a more equitable federal equalization program that is consistent with the Constitution.**

The federal government's revenues and surpluses are growing while provinces are struggling to fund rising costs. Recognizing this fiscal imbalance, provincial and territorial finance ministers are working together to educate the public and encourage the federal government to cover more of the increasing cost burden related to health care, education and other social programming.

- **Require Crown corporations to be directly accountable to a committee of the legislature for their financial management and budget plans.**

The Legislative Committee on Crown Corporations was established in fiscal 2001/02, with clear terms of reference and criteria for evaluating service plan and annual report performance.

- **Give school boards multi-year funding envelopes to improve long-term education planning and budgeting.**

School boards now have three-year funding envelopes.

- **Eliminate the PST on basic school supplies purchased by Parent Advisory Councils.**

This promise was fulfilled in Budget 2002.

Performance Reporting

The following section details the ministry's progress towards its goals and objectives in 2001/2002. Accomplishments are listed by division and linked to performance targets set in the previous fiscal year.

The ministry's goals and objectives are to:

- Balance the provincial budget, beginning in 2004/05.
- Increase accountability and performance in the management of capital infrastructure by encouraging public-private partnerships and alternative service delivery.
- Establish a competitive tax and business environment that encourages economic growth.
- Effectively manage public sector compensation.
- Support business development.
- Effectively manage cash and debt.
- Achieve efficiencies through technological advancements to streamline regulatory burden and financial management practices.
- Adopt a risk-based approach to managing government resources.
- Meet statutory reporting and budgeting requirements and comply with GAAP.
- Provide effective leadership and planning.
- Provide efficient financial and administrative services.

These goals and objectives are addressed in detail in the ministry's three-year service plan released on February 19, 2002 and will be the basis of performance reporting in 2002/03.

Ministry Performance by Division

The Ministry of Finance has four divisions:

- Provincial Treasury
- Office of the Comptroller General
- Treasury Board Staff
- Business Partnership Division

The Minister of Finance is also responsible for the work of the 15 member Public Sector Employers' Council.

Each division and agency is described below, along with its key accomplishments for 2001/2002.

Provincial Treasury and Registries

This division manages the borrowing, financing and cash-flow requirements for the Province of British Columbia. It works to reduce the financial risks faced by the government and government agencies, and provides consulting services and policy analysis for the financial and corporate sectors. It also facilitates the creation and registration of all business entities in the province. The division is made up of seven branches. These include:

- Corporate Operations Branch
- Financial and Corporate Sector Policy Branch
- Debt Management Branch
- Banking/Cash Management Branch
- Risk Management Branch
- Information Systems Branch.
- Corporate and Personal Property Registries

Corporate Operations Branch

This branch provides support services to the division in the areas of: corporate policy, budget development and management, finance and administration, and planning.

Financial and Corporate Sector Policy Branch

This branch provides the government with policy analysis and advice to support the legislative frameworks governing:

- the regulation of credit unions, trust companies and insurance companies operating in British Columbia;
- the province's securities market;
- the retailing of real estate, insurance and mortgages in British Columbia;
- companies, societies, cooperatives, partnerships and condominiums;
- the use of personal property as collateral; and
- the imposition of liens on personal property.

The branch is also responsible for coordinating the ministry's non-budget legislation and its participation in the government's deregulation initiative, as well as coordinating appointments to the various agencies, boards and commissions that report to the Minister of Finance.

Debt Management Branch

This branch is responsible for ensuring that the borrowing needs of the B.C. government and its agencies are met. The branch is also responsible for delivering the lowest-cost financing from the capital markets, within acceptable risk levels. Business functions provided by the branch include

strategy and risk management, debt financing, corporate and project finance, client and investor relations, legal and corporate affairs, debt settlement operations and reporting analysis.

Banking/Cash Management Branch

This branch delivers banking, electronic banking and cash management services to over 120 clients, including ministries, Crown corporations and government agencies. Business functions include banking operations, as well as supporting policy and contracts.

Risk Management Branch

This branch is responsible for developing and operating comprehensive risk management programs, designed to minimize the risks associated with B.C.'s public sector programs, operations and assets. Risk management includes risk transfer, risk financing, risk mitigation and claims/litigation management.

Information Systems Branch

This branch provides support services to the division in the area of information technology, including systems operations, application development and enhancements, and workplace technical support.

Corporate and Personal Property Registries

This arm of the ministry facilitates the creation and registration of all business entities, non-profit organizations and cooperatives in British Columbia. It maintains registries of security interests (liens) in personal property and of the ownership and location of manufactured homes in the province. It also provides for the operation of the Auditor Certification board under the Company Act. Registries' revenue comes from search and registration fees.

Achievement of Provincial Treasury and Registries Division performance targets set for 2001/2002

Target:

Investing short-term cash surpluses and minimizing short-term borrowing costs.

Progress:

- Investment of temporary surplus cash produced a return of $16 million during the year. Short-term borrowing costs were less than $195,000.

Target:

Minimize the cost of borrowing by identifying lowest-cost and minimum-risk financing opportunities in global markets.

Progress:

- Sixty-three per cent of the $4.6 billion borrowed was sourced from the international capital markets in either Canadian or U.S. dollars, resulting in annual interest savings of about $1.1 million. The balance of borrowing was sourced from traditional domestic public and private markets.
- Costs incurred in the management of the government's debt during the year were $62 million lower than the budget set for the branch in the government's July 30, 2001 Economic and Fiscal Update.

Target:

Develop, for program managers, risk assessment processes that are focused on results, identify high-risk areas and provide timely consulting advice and audit recommendations in those areas.

Progress:

- A government-wide decision framework, Enterprise-wide Risk Management (ERM), was developed. Policies were approved and work began to develop supporting guidelines. ERM will be rolled out to ministries and Crown corporations in 2002/03.

Target:

Provide assistance and guidance to public-sector clients, with respect to alternative financing arrangements, to support new methods of capital procurement (i.e., other than the traditional "borrow and buy" method).

Progress:

- Provided assistance and guidance on various alternative financing arrangements, including four non-recourse financings supported by external revenue sources. Financial advice was also provided on public-private partnership projects.

Target:

Develop policy and legislative frameworks that promote and reinforce a secure, efficient and competitive financial sector and fair, efficient and competitive corporate and commercial sectors.

Progress:

- Developed legislation to streamline the regulation of financial institutions, reducing restrictions on credit unions and insurance companies and broadening exemptions.
- Initiated review of the *Financial Institutions Act* and the *Credit Union Incorporation Act* with the goal of reducing regulatory burdens.
- Developed legislative amendments to several registry statutes (the *Company Act*, *Partnership Act* and the *Personal Property Security Act*) to support the further automation of the Corporate and Personal Property Registries, and to facilitate online document filing. These changes will result in a net reduction of regulatory requirements.
- Developed new *Business Corporations Act* for introduction in spring 2002.

Target:

Apply fraud and risk-control measures to government banking activities.

Progress:

- Completed an Internal Audit review of risk and control procedures.
- Applied fraud and risk control measures to government banking activities by reviewing and updating cheque stock and security measures, which limit the province's exposure to potential fraud.

Target:

Design and implement optimal processes and technology to streamline the processing of financial transactions.

Progress:

- Negotiated with financial institutions and implemented a number of electronic payment services — including PC/telephone banking and Internet credit card payments — to enhance revenue collection by various government bodies.
- Saved the province $6.7 million by increasing the use of purchasing card, corporate travel card and business travel account programs.

Target:

Utilize competitive purchasing processes to obtain banking services for our clients at the lowest possible cost.

Progress:

- Thanks to competitive purchasing processes, general banking fees paid by the province were 42 per cent of the median price of industry-surveyed fees for large corporate clients.

Target:

Convert the corporate registry from a document-based registry to an electronic registry to attain service, payment and administrative efficiencies.

Progress:

- In Jan. 2001, the corporate registry implemented the new Corporate Annual Report System (CARS), enabling companies to file their annual reports electronically. CARS will result in significant staff savings as the corporate registry shifts from paper-based to electronic operations.

Office of the Comptroller General

The OCG is responsible for defining and monitoring the government's financial management framework and preparing government's financial reports. It also provides the main financial system for government and ensures that government's assets and liabilities are managed in ways that appropriately mitigate risks to the government's fiscal and economic plan. In 2001/02, the OCG began revising the financial framework to incorporate modern comptrollership principles, such as risk management and an increased emphasis on outcomes, to help fulfill the government's *New Era* vision. The Office of the Comptroller General is made up of seven branches/offices. These include:

- Comptroller General/Corporate Operations Branch
- Corporate Financial Accounting Branch
- Internal Audit and Advisory Services Branch
- Financial Management Branch
- Accounting Policy, Research and Development Branch
- Payment Review Office
- Corporate Accounting Branch

Comptroller General/Corporate Operations Branch

This office provides overall direction and support to the division in the areas of: corporate policy; budget development and management; planning, finance and administration; activities related to the Select Standing Committee on Public Accounts; and research and analysis.

Corporate Financial Accounting Branch

This branch establishes accounting procedures and practices; develops accounting policies; monitors government's central accounts to ensure they are appropriately controlled and maintained, establishes and maintains the government's chart of accounts; prepares financial reports for government; and publishes the Public Accounts.

Internal Audit and Advisory Services Branch

This branch works to ensure that government's performance management, risk management and internal control frameworks are operating effectively. It uses a risk-based approach and provides management advisory services to ministries.

Financial Management Branch

This branch establishes the policy, procedure and legislation that guide financial management for government ministries and offices. The branch focuses on internal financial governance, supporting shared services and encouraging best practices.

Accounting Policy, Research and Development Branch

This branch works with ministries, Crown corporations and SUCH sector agencies (schools, universities, colleges and hospitals) to determine accounting solutions that support sound business decisions. It also analyzes public-private partnerships and other proposals from an accounting and financial perspective.

Payment Review Office

This office takes a risk-based approach to verifying policy compliance for government expenditure payments and recommends improvements, as needed, to policy, systems and training to help improve compliance. The office also provides legal encumbrance services such as garnishments for government as a whole.

Corporate Accounting Branch

This branch provides the main financial system for government ministries. It also implements corporate solutions for business processes and/or problems as defined by the OCG's governance function.

Achievement of Office of the Comptroller General performance targets set for 2001/2002

Target:

Cost savings/increased revenues as a result of internal audit recommendations and consulting services (Target: to cover costs of internal audit operations).

Progress:

- Internal Audit and Advisory Services adopted a risk-based approach to auditing. This approach produces recommendations which, when implemented, can result in average annual savings of approximately $20 million.

Target:

Full implementation of Generally Accepted Accounting Principles (GAAP) by April 1, 2004.

Progress:

- A work plan, detailing steps required to fully implement GAAP, was finalized in Feb. 2002.
- A new accounting advisory committee was established to support this work.

Target:

Deliver the public accounts by August 31 (legislative requirement).

Progress:

- The public accounts were released on July 23, 2001 — five weeks ahead of schedule.

Target:

- Revise management policy manuals and consolidate in electronic form.

Progress:

- A project plan was established in Dec. 2001 to reduce administrative policies and procedures by one-half to two-thirds. The projected completion date is Dec. 2002.

Target:

Establish a risk-based review of government programs and payments to minimize administration costs while preserving appropriate internal controls.

Progress:

- Internal Audit and Advisory Services has implemented a risk-based approach to auditing government organizations.
- The Payment Review Office was established in Nov. 2001 to implement a risk-based approach to verifying policy compliance for government expenditures and payments. The office performs post-payment reviews on all government travel expenditures and low-risk government payments. It also recommends improvements to policy, systems and training as needed.

Treasury Board Staff

Under the direction of Treasury Board and the Minister of Finance, TBS works with ministries, Crown corporations and agencies to prepare the province's budget and three-year fiscal plan. TBS monitors risks and opportunities throughout the year and recommends alternative fiscal management strategies to Treasury Board as needed.

TBS also monitors government's fiscal performance, produces quarterly reports and provides analysis and advice on the financial, economic, taxation and intergovernmental relations implications of issues presented to the Minister of Finance, Treasury Board and Cabinet, and to government caucus and cabinet committees. Treasury Board Staff is made up of six branches which include:

- Assistant Deputy Minister's Office/Operations Branch
- Estimates and Performance Planning Branch
- Fiscal and Economic Analysis Branch
- Intergovernmental Fiscal Relations Branch
- Performance Budgeting Office
- Tax Policy Branch
- The Capital Division which is also part of TBS is currently restructuring and will be moving to deliver services to the public as a company with an arm's length relationship to government. This company is known as Partnerships B.C.

Assistant Deputy Minister's Office/Operations Branch

This branch provides support to the division in the areas of corporate policy and executive direction, budget development and management, planning, finance and administration.

Estimates and Performance Planning Branch

This branch coordinates the annual budget process; prepares the main Estimates and Supplementary Estimates; and provides advice and recommendations to Treasury Board on Consolidated Revenue Fund capital projects and FTEs. The branch also updates accounting and reporting policies for government's financial reports in conjunction with the Office of the Comptroller General; develops guidelines for the preparation of ministry service plans and reports; and coordinates cross-government activities to support performance planning and accountability under the *Budget Transparency and Accountability Act*.

Fiscal and Economic Analysis Branch

This branch supports provincial budget development and management by analyzing and advising on economic trends, and by developing forecasts of the provincial economy, government revenues, expenditures and debt for ministries, Crown corporations and agencies.

The branch also provides public reports on the provincial economic and fiscal performance and outlook, including the Budget Reports document, Quarterly Reports, the Financial and Economic Review and the Economic Review and Outlook.

Intergovernmental Fiscal Relations Branch

This branch provides analysis and advice regarding federal-provincial fiscal relations, the fiscal situation of the federal government and the other provinces, and selected policy areas involving intergovernmental financing and/or governance, such as the Canada Pension Plan.

Performance Budgeting Office

The branch provides advice, analysis and support to the Minister of Finance, Treasury Board, Government Caucus Committees and Cabinet. The branch focuses on ministry budgets, Estimates and forecasts, and works with those entities to identify and manage significant risks and opportunities to the government's three year Fiscal Plan.

Tax Policy Branch

This branch provides tax policy analysis and advice to the minister and Treasury Board. It supports the implementation of government tax policy through legislation and regulation. It also provides support to coordinate tax policy with other levels of government, and to negotiate the fiscal aspects of treaties with First Nations.

Capital Division

This branch makes recommendations to Treasury Board and Cabinet on preparing and delivering the province's annual capital plan, which includes spending on physical structures at universities, colleges, schools, hospitals, courts and correction facilities, as well as capital projects led by taxpayer-supported Crown corporations and agencies. The Capital Division is undertaking a significant restructuring as part of the new focus in delivering capital needs in a more timely and cost effective manner.

Achievement of Performance Targets for Treasury Board Staff set for 2001/2002

Target:

Develop policy and legislative frameworks that promote and reinforce a financial and business management framework that supports sound decision making at the governance, management and operating levels.

Progress:

- Drafted the *Balanced Budget and Ministerial Accountability Act* which:
  - requires a balanced budget by 2004/05 and every year thereafter; and
  - imposes salary holdbacks on ministers and the Premier — repayable only if ministry and government-wide fiscal targets are achieved. (In the case of ministers of state, the holdback is tied to performance targets.)

Target:

Work with clients and other central agencies to develop incentives that encourage and promote managing for results.

Progress:

- Worked with ministries and Crown corporations to develop three year service plans that include clear performance measures.
- Required ministers to sign accountability statements for service plans.

Target:

Review the *Budget Transparency and Accountability Act (BTAA)* to evaluate whether changes are required.

Progress:

- Reviewed the legislation and drafted the *Budget Transparency and Accountability Amendment Act, 2001* which:
  - requires full adoption of Generally Accepted Accounting Principles by 2004/05;
  - establishes fixed budget dates;
  - requires ministers to sign accountability statements for service plans; and
  - severely curtails the use of special warrants.

Target:

Monitor and report to the Minister of Finance on forecasts for provincial revenues, ministry spending, capital spending, borrowing, economic trends in B.C. and its major trading partners, and Crown corporations' strategic initiatives, plans and budgets.

Progress:

- Provided regular reports to the minister and secretary to Treasury Board on the state of B.C.'s economy, government's financial status, and the current fiscal outlook.
- Provided briefings to Treasury Board on the economic and fiscal outlook, forecast risks and related planning scenarios.

Target:

Establish a competitive tax and business environment that encourages economic growth

Progress:

- Tax cuts fully implemented in Jan. 2002 provided the lowest rates of provincial personal income tax in Canada on the first $60,000 of income.
- As of Jan. 2002, B.C. also had the second-lowest top personal marginal income tax rate in the country.
- A series of business tax cuts during the fiscal year further improved B.C.'s competitive position. The cuts included a reduction in the general corporate income tax rate, the phase-out of the corporation capital tax for general corporations and a provincial sales-tax exemption for production machinery and equipment.

Target:

Develop a comprehensive approval framework that focuses on the outcome of expenditures.

Progress:

- TBS supported the development of three-year service plans for all provincial ministries, including performance measures describing what will be accomplished within approved resources.
- Treasury Board also revised approval thresholds to give ministries, Crown corporations and agencies greater flexibility in meeting their service plan targets.

Target:

Implement multi-year budgeting by providing planning targets consistent with the three-year strategic plan objectives and fiscal targets, and by incorporating a three-year time horizon into ministry budget submissions, Treasury Board Staff budget briefing material and related decision-making processes.

Progress:

- Service plans released by all ministries and major Crown corporations on Feb. 19, 2002 included three-year budget targets and objectives, consistent with the government's strategic plan.

Target:

Release revised fiscal forecasts with each quarterly report and meet dates set in the *Budget Transparency and Accountability Act* for the release of quarterly reports.

Progress:

- Released quarterly reports on Sept. 13, Nov. 22 and Feb. 19 — all within *BTAA* requirements, and all including revised fiscal forecasts, supported by details of updated assumptions.
- Prepared the Budget Consultation Paper required by the *BTAA*, in support of the Select Standing Committee on Finance and Government Services.

Target:

Complete and communicate a comprehensive framework for capital policy, which will apply across all ministries, Crown corporations and agencies and that includes clear standards for reporting and monitoring of expenditures.

Progress:

- A new, comprehensive Capital Asset Management Framework was developed during the year for release in early 2002/03. The framework included clear standards for monitoring and reporting expenditures.

Target:

Develop a work plan and implement the recommendations contained in the Deloitte Consulting report, "Capital Management Process Review for the Government of British Columbia."

Progress:

- The new Capital Asset Management Framework has been developed and publicly released and addresses the Deloitte Report's key recommendations.

This report can be viewed online at: http://www.fin.gov.bc.ca/tbs/camf_guidelines.pdf.

Business Partnerships Division (BPD)

This division reviews and evaluates major government assets and related operations to help government achieve its public policy objectives, improve service delivery and make government operations more efficient. Its reviews and evaluations determine whether business models such as public-private partnerships (P3s) and alternative service delivery models (ASDs) would better meet these objectives.

Implementing ASDs is a key focus for the division. This involves addressing public policy issues, working with stakeholders, preparing a marketing strategy, negotiating new business partnerships where applicable, creating new business structures and overseeing transitions.

No specific performance targets were set for the division in 2001/02.

Accomplishments included:

- identifying and initiating several business restructuring projects to achieve cost efficiencies, debt reduction and higher asset values for Crown agencies;
- initiating work with several ministries on the feasibility of ASD solutions; and
- initiating feasibility assessments for a number of public private partnerships.

Public Sector Employers' Council (PSEC)

PSEC coordinates labour relations policies and practices to foster an effective, efficient public sector. Chaired by the Minister of Finance, the council includes eight ministers or deputy ministers, the Commissioner of the Public Service, and one representative from each of the six public sector employers' associations.

The Council is supported by the PSEC Secretariat which ensures effective working relationships with key partners such as Treasury Board Staff, line ministries and other public sector employers.

No specific performance targets were set for PSEC in 2001/02.

Accomplishments in 2001/02 included:

- developing and implementing a strategy to renew expiring public sector labour contracts;
- reviewing PSEC's structure and initiating a streamlining process that reduced the agency's operating budget by 38 per cent;
- designing a database to support effective management of public sector compensation; and
- through the PSEC Secretariat, developing and implementing public sector bargaining mandates that reflect fiscal and public policy considerations, and forward-looking strategies to address evolving labour market conditions.

Ministry of Finance Organization Chart

2001/02 Resource Summary

	Estimated	Other Authorizations	Total	Actual	Variance
Operating Expenses ($000)					
Vote 28					
Minister's Office	355		355	343	12
Corporate Services	3,916		3,916	4,119	(203)
Treasury Board Staff	12,294		12,294	11,048	1,246
Office of the Comptroller General	21,848		21,848	20,287	1,561
Financial Institutions Commission	1		1	—	1
Provincial Treasury Operations	1		1	—	1
Total Vote 28	**38,415**	**—**	**38,415**	**35,797**	**2,618**
Vote 29 Registries	**8,407**		**8,407**	**8,335**	**72**
Vote 50 Contingencies (All Ministries) and New Programs		**28**	**28**	**28**	**—**
Vote 55 PSEC	**3,054**	**—**	**3,054**	**1,816**	**1,238**
Special Account — IRMA	**13,249**	**539**	**13,788**	**13,788**	**—**
Special Account — UPO	**1,075**	**23,551**	**24,626**	**24,626**	**—**
Full-time Equivalents (FTEs)					
Total Vote 28	**509**	**—**	**509**	**457**	**52**
Vote 29 Registries	**118**	**—**	**118**	**102**	**16**
Vote 55 PSEC	**18**	**—**	**18**	**16**	**2**
Special Accounts					
IRMA	**22**	**—**	**22**	**20**	**2**
UPO	**4**	**—**	**4**	**5**	**(1)**

	Estimated	Other Authorizations	Total	Actual	Variance
Ministry Capital (Expenditures) ($000)					
Information Systems	10,144	—	10,144	6,680	3,464
Other	357	—	357	73	284
Total Vote 28	10,501	—	10,501	6,753	3,748
Information Systems	500	—	500	101	399
Other	21	—	21	13	8
Vote 29 Registries	521	—	521	114	407
Information Systems	20,000		20,000	9,409	10,591
Other	—		—	—	—
Vote 50 Contingencies (All Ministries) and New Programs	20,000	—	20,000	9,409	10,591
Information Systems	91		91	55	36
Other	3		3	—	3
Vote 55 PSEC	94	—	94	55	39
Information Systems	423	—	423	183	240
Other	25		25	17	8
Special Account — IRMA	448		448	200	248
Information Systems	50		50	6	44
Other			—		—
Special Account — UPO	50	—	50	6	44